

Governor Dave Heineman

State of the State Address  
January 15, 2008

One-Hundredth Legislature  
Second Session

“Nebraska is steadily and consistently moving forward.  
We are on a path that will reshape Nebraska’s future...  
Together we can make tomorrow better than today.”

- *Dave Heineman, Governor*

Mr. President, Mr. Speaker, Members of the Legislature, Distinguished Guests, Friends and Fellow Nebraskans:

I am pleased to be with you at the beginning of another legislative session. Working together, we have made a difference for our state.

Nebraska is steadily and consistently moving forward. We are on a path that will reshape Nebraska's future.

Working together, we have enhanced Nebraska's ability to compete in a free market economy. The Nebraska Advantage is working. During the past two years, 138 companies decided to expand or locate in Nebraska. These businesses will invest over \$4.6 billion in our economy and they will create more than 12,000 new jobs in communities all across Nebraska. The ethanol industry is experiencing a strong expansion and Nebraska is now the second largest ethanol producer in America. Capitalizing on the global demand for our high quality products has resulted in expanded export markets in Taiwan, China, Cuba, Canada, and Mexico for Nebraska businesses. A forward looking insurance policy environment has significantly grown our insurance industry.

I am pleased to report to you that Nebraska is making progress in creating new jobs for our young people and expanding middle class job opportunities. But we still have more work to do.

Nebraskans want higher paying jobs, better careers, financial security and expanded opportunities for their children. Nebraskans want the ability to compete in a 21<sup>st</sup> century economy that leverages technology, values educational excellence and fosters entrepreneurship.

Imagine what it would be like for our children if Nebraska could create a large number of jobs that pay twice the current Nebraska county average salary.

To accomplish that goal requires 21<sup>st</sup> century leadership that is innovative and creative. That's why I am proposing that Nebraska take a quantum leap forward with a new tier of performance based incentives that reward the creation of higher paying jobs and I'm asking you to make this a priority in this legislative session. This new program is called the Nebraska Super Advantage. The Nebraska Super Advantage is about the next decade and the next generation of Nebraskans. This bold, new plan is our opportunity to keep our young people right here in Nebraska.

Incentives are essential, but alone they aren't enough. Taxes make a difference too. During previous legislative sessions, you have lowered taxes, including last year's tax relief package which was the largest in the history of the state. These bills provided property tax relief, repealed the death tax, eliminated the marriage penalty, expanded the Earned Income Tax Credit, and repealed the sales tax on construction labor.

While we have made progress in lowering taxes, make no mistake about it – taxes are still too high. Whether you are a small business owner, a farmer, a rancher, an entrepreneur, a teacher, a nurse, or a retired person on a fixed income; taxes are too high. That's why I am proposing additional property tax relief in this budget. Tax relief must continue to be a priority for our state.

Competing in a free market economy also requires a pre-kindergarten through college education system that is accountable, affordable, efficient, and student focused. Education is the great equalizer and every Nebraska child deserves the opportunity to achieve a quality education.

Accountability requires measuring school district academic success and Nebraska needs a simplified student measurement system for comparing school district performance. The goal is better testing, not more testing. School district leaders need to focus their time and energy on closing the academic achievement gap. More parents need to be involved in their children's education. More rigorous academic standards are needed in our schools and overall academic performance must be improved.

State aid to education should be predictable and sustainable. State aid is one of our most important responsibilities and that's why I have recommended fully funding the formula every year that I have been Governor. As we look to the future, it is important that Nebraska has an understandable, stable and affordable school funding formula. This is the long-term challenge that we must address. Nebraska has a very good K-12 education system and we must make it even better in the future.

Nebraska's higher education system should also be more accountable, more integrated and more efficient. The University of Nebraska, our state colleges and our community colleges can work together in a more cooperative manner. Increasing the college attendance rate is critical. Increased enrollments and revenues to our colleges through innovation like UNO's differential tuition rate to attract more students to the University of Nebraska at Omaha are important. Thank you to President Milliken and Chancellor Christensen for your innovation.

The University of Nebraska is a key component to Nebraska's future and they must redefine their priorities to reflect the education and financial challenges of the 21<sup>st</sup> century. Expanded enrollment means increased tuition revenue growth which is necessary given the fiscal realities of the state budget. I believe the University of Nebraska can successfully address its future challenges because of its exceptional leadership team.

Nebraska has other challenges. Imagine a new Department of Health and Human Services that accelerates the reform of the state's child welfare system, behavioral health, Medicaid, and the Beatrice State Developmental Center. Together we can make these changes. There are encouraging signs already. Adoptions are up, community based care is increasing, and out of home placements are down.

You and I want government to operate more efficiently and with greater accountability. Last year this body passed a comprehensive restructuring of the Department of Health and Human Services designed to make the system more effective, more efficient and more accountable.

We are in the process of implementing those changes. The challenges facing Health and Human Services have been decades in the making. Success won't happen overnight but we are beginning to make progress. We have a new leadership team that is committed to change. We have employees who are dedicated to helping their fellow citizens.

We also need changes in health care. This is an issue that affects every Nebraskan and every Nebraska family. Much of what should be done will require a federal-state partnership with the private sector. Our country needs a secure electronic health care system. Nebraska will be part of that effort with a pilot technology grant for Hebron and Thayer County to better coordinate patient records, to improve a patient's health and to moderate health care costs.

Our health care system should also be consumer driven and focus on prevention and wellness. Obesity is a problem that needs to be addressed in our schools, in our work places, in our homes, and in our communities.

In Nebraska, we must reverse the trend of childhood obesity. By doing this, we will reduce the risk of diabetes, high blood pressure and heart disease for our most precious resource - our children. This issue doesn't require a new law. It's about eating properly and exercising regularly. Both children and adults need to be physically active.

Creating a culture of wellness throughout Nebraska is essential and state government should lead by example. As we reform and improve our health insurance program for state employees, I will be recommending that we focus on prevention and wellness. The long term results will include improved employee health, increased productivity and lower future health care costs.

Now let's turn our attention to a very difficult and emotional issue – immigration. The fact is, the federal government is tasked with the duty to regulate immigration and the federal government has failed, creating problems for states. Their failure has resulted in an ever increasing number of illegal immigrants in our country. States are now beginning to address their specific challenges in their own ways. I believe Nebraska should too.

I want to be very clear. America is the land of opportunity and Nebraskans support legal immigration. Illegal behavior should not be rewarded. It is unfair to immigrants who have become legal American citizens to have illegal immigrants provided the same opportunities. Nebraskans are compassionate but we are also law abiding citizens.

Finally, a fiscally responsible budget requires a prudent cash reserve for when we have a downturn in the economy. Other states are beginning to experience revenue shortfalls. I hope a downturn can be avoided but the Federal Reserve has suggested that our nation's economy may slow down in 2008.

Your Tax Rate Review Committee in its November 20, 2007 report said that "Past history in General Fund revenue growth since 1981 demonstrates a clear pattern of growth rates, clustering of several years above average, followed by several years of below average growth, suggesting FY 2008 – 2009 may be the onset of a below average growth period."

This financial challenge presents a golden opportunity for senators departing at the end of the year. You have the experience and wisdom to appreciate the value of a robust cash reserve. There will be a temptation to spend it, but your leadership can preserve it. Your legacy can be a Nebraska better prepared for future progress.

Our vision is about limitless dreams and endless possibilities.

Nebraskans are can-do people.

We want a better Nebraska. We want a strong economy that produces more high paying jobs and financial security for our families. We want a quality education for our sons and daughters. We want to improve the health of our Nebraska families.

We believe in the American dream.

We are hopeful and optimistic about Nebraska's future and I know together we can make tomorrow better than today.

Together, we will continue to move Nebraska forward. Thank you.